

QFRs from Sept. 24 hearing

From Chairman Larson to Nancy Altman:

- 1. Under current projections, Social Security can pay all benefits due until 2035, and would be able to pay about 80 percent of benefits due after that. How would these projections change if Social Security's payroll tax contributions were terminated, as the President has called for?**

This is a very important and misunderstood point. If Congress and the president were to take no action at all, [Social Security](#) still can pay all benefits in full and on time for the next decade and a half and can pay between 75 and 80 cents on the dollar through the end of the century and beyond. In stark contrast, if Donald Trump remains in office and carries out his plan to terminate all insurance contributions, Social Security will have no income whatsoever and would be able to pay zero cents on the dollar, once the accumulated reserve is depleted – which would occur in just two and a half years, [according to the Chief Actuary](#) of the Social Security Administration.

Consequently, the impact of what the president is promising to do is much more serious than just accelerating by over a decade the date that the \$2.9 trillion accumulated surplus is drawn down – as serious as that is. Terminating the insurance contributions, as the President has promised, would mean that instead of a shortfall of 20 cents on the dollar, the shortfall would be the entire dollar. If the president succeeds, all benefits, [as I have written elsewhere](#), would come to a screeching halt. This is a drastic difference. All ten million beneficiaries receiving their earned Social Security disability benefits would receive zero within six months of the president's action; the remaining 55 million beneficiaries, who receive retirement or survivors' benefits, would receive zero two years later, if the president is re-elected and succeeds in what he says he will do.

- 2. Has this ever been done before – a unilateral, complete deferral or elimination of Social Security's payroll tax? How this is different from the payroll tax holiday in 2011-2012?**

This has never been done before. It is both destructive in its own right and is setting a dangerous precedent. That is part of what has the [AARP](#) and the rest of us so alarmed.

President Trump is using an obscure section in the Internal Revenue Code, [section 7508A](#), to claim this dangerous authority. In the law, justice delayed is justice denied. If the president stays in power and uses this authority to delay Social Security premiums for just six months, that is all that is necessary, [according to SSA's chief actuary](#), to bring the more than 10 million beneficiaries who currently receive Social Security disability insurance benefits to receive zero. This, obviously, would give a lame duck president, unaccountable to anyone, enormous leverage over Congress and the nation.

It is radically different from what was done in 2011 and 2012. Unlike the president's unilateral action, the 2011-2012 temporary reduction in Social Security insurance contributions resulted from a law enacted by Congress and signed by the president, not a unilateral action of just the president. In addition, the scale was different: The 2011-2012 cut was a two-percentage point cut, as opposed to a proposed permanent termination of 12.4 percent, as the president has promised, or a four-month deferral of 6.2

percent, as the president has mandated by executive action. Finally, Social Security did not lose revenue because general revenue was substituted simultaneously. In his unprecedented unilateral action, Trump did not even urge Congress to offset the loss of dedicated revenue.

Though the 2011-2012 action was voted on by Congress and signed into law by the president and was not a power grab the way the Trump executive action is, Social Security Works, nevertheless, [objected strongly](#) at the time, as did [other Social Security experts](#) and [supporters](#). We were able to persuade Congress to let it expire, which was no easy task. This time, if Trump remains in office, we may have to convince a lame duck president to not continue to defer Social Security's dedicated revenue as the trust funds are depleted. That will be a much harder task. It is made more complicated by the fact that federal employees – including members of our armed forces – will be faced with double withholding, resulting in a cut in take home pay, beginning January 1, 2021.

3. Can you summarize how important Social Security is to Americans, and their support for its fundamental structure as an earned benefit? Do people distinguish between Social Security payroll taxes and the other taxes they pay?

Social Security is most Americans' [largest asset](#). Though the exact value varies with age and other important factors, Americans' Social Security [disability insurance](#), [life insurance](#) and [joint and survivor retirement annuities](#) have present values worth hundreds of thousands of dollars.

Those earned benefits are vitally important to virtually all of its [65 million](#) beneficiaries. Social Security is unquestionably the most important source of retirement annuities, life insurance, and disability insurance for the nation's working families, even for those fortunate to have other assets. Approximately three out of five retirees [rely](#) on Social Security for most of their income. Around one out of four retirees depend on Social Security for [virtually all](#) of their income. Though Social Security's goal is much broader than the alleviation of poverty, it is nevertheless the nation's most effective anti-poverty program. Over [22 million Americans](#) — including over one million children — have incomes above poverty only because of Social Security.

As important as Social Security is for virtually all of us, it is especially important to women, people of color, those who are LGBTQ+, and others who have been disadvantaged in the workplace. Those groups are less likely to have jobs with employer-sponsored pensions. On average, they have lower earnings and therefore less ability to save. They are more likely to have health problems and physically demanding jobs that force early retirement. Also, they are more likely to have periods of unemployment or take time out of the paid work force to work as family caregivers.

Moreover, because women and Hispanics have, on average, [longer life expectancies](#), they have even greater need of Social Security's guaranteed benefits that cannot be outlived. Almost one out of two [divorced, widowed or never-married female beneficiaries aged 65 and older](#) rely on Social Security for virtually all of their income (48 percent in 2017). Nearly six out of ten [unmarried African American beneficiaries aged 65 and older](#) rely on Social Security for virtually all of their income (58 percent in 2017). For Hispanic Americans the percentage is even higher. [More than six out of ten unmarried Hispanic beneficiaries aged 65 and older](#) rely on Social Security for virtually all of their income (61 percent in 2017). Furthermore, African Americans and Hispanics disproportionately rely on Social

Security disability and survivor benefits, as do their children. African American children constitute [14 percent](#) of all American children, but [22 percent](#) of the children receiving benefits as the result of a parent's disability and [21 percent](#) of the children receiving benefits as the result of the death of a parent.

Americans know that they earn their Social Security. It is part of their compensation for hard work. It represents the best of American values, including reward for hard work, sturdy self-reliance, individual responsibility, shared risks, and prudent, responsible management.

Not surprisingly, polls consistently report that Social Security is overwhelmingly popular across political views and demographic traits. No matter whether Republican, Democratic, or Independent, no matter the demographic group, [overwhelming](#) percentages support Social Security, do not want to see it cut, and would like it expanded.

We are divided on many issues, but Social Security isn't one of them. [Poll after poll](#) shows that, regardless of political affiliation, people understand the importance of Social Security's modest benefits and don't want to see the program cut. They certainly don't want to see its funding jeopardized.

Moreover, polling reveals that the American people recognize that so-called "payroll taxes" are not fungible with other taxes, but are insurance contributions or premiums that pay for their Social Security. Although lawmakers think everyone wants to see their taxes cut, people do not want their Social Security contributions cut and are [even willing to pay more](#) to preserve the program. They understand that this is insurance and they know that when you don't pay your premium, your policy lapses.

[Just-released polling](#) confirms this. When people are asked about deferring and eliminating "the payroll tax," told it funds Social Security, and given straightforward arguments for and against, a whopping 71 percent oppose it. That consists of 74 percent of Democrats, 67 percent of Independents, and 70 percent of Republicans. Only 17 percent support the proposal.

Even when the question does not explain that "payroll taxes" fund Social Security, people still oppose the plan. When given no cues or explanation, but simply asked, "Would you support or oppose a proposal to permanently eliminate the payroll taxes," nearly one out of five (19 percent) say that they don't know, presumably because many people may be uncertain, without being reminded, about the link between "payroll taxes" and Social Security and do not want to answer that they favor the cut, if it does fund Social Security.

Strikingly, even when Americans are not told that "payroll taxes" are the premiums that fund Social Security, enough apparently understand that important fact that nearly one out of two (45 percent) don't support the cut. Altogether, almost two out of three (64 percent) either oppose or are uncertain about their "taxes" being cut, when those taxes are the "payroll taxes" or, more accurately, the premiums that fund Social Security.

4. President Trump promised in 2016 that he was different from other Republicans because he wouldn't cut Social Security, but what did he say on this topic before he ever decided to run for president?

You are correct that in 2016 President Trump [claimed](#) that other Republicans all wanted to cut Social Security but he wouldn't do that. However, before ever running for President, he wrote *The America We Deserve*, [in which](#) he called Social Security a criminal Ponzi scheme, said Social Security should be

privatized, and said the retirement age should be increased to age 70, posing the disdainful question, “how many times will you really want to take that trailer to the Grand Canyon?” At the same time, he understands how his views are completely fringe. Indeed, in 2011, he was on Sean Hannity [where he said](#) that Republicans should not say they want to cut Social Security because if they do, they will lose elections.

Though he hid his true views while running for president (and is seeking to do so now), his actions reveal his true views. Every single one [of his budgets](#) proposed cuts to Social Security, the Social Security opponents with whom he has surrounded himself (e.g., Vice President [Pence](#), Chief of Staff [Meadows](#), OMB Director and Chief of Staff [Mulvaney](#)) and his numerous efforts and stated goal to defund Social Security present accurate pictures of his hostility to our Social Security system.

5. We know that the President’s executive action to defer payroll taxes will provide little to no near-term economic stimulus. Would Economic Impact Payments be a more effective way to provide direct assistance? Can you elaborate on why the President’s action is not effective relief?

Absolutely. In this time of unprecedented crisis, our elected leaders need to get assistance to people who need it the most without undermining their long-term financial security. Direct payments will do that. Reducing Social Security’s dedicated insurance contributions would do the opposite.

Whether Social Security contributions are deferred, terminated, or replaced with general revenue, that approach is a slow, inefficient, wasteful, and poorly-targeted way to stimulate the economy. As a byproduct, that approach undermines Americans’ economic security by undermining Social Security.

Cutting Social Security insurance contributions provides nothing to those who need it most: the millions who are unemployed. It also provides nothing to about [one out of four](#) state and local workers not covered by Social Security. This includes forty percent of public-school teachers and two out of three police officers and fire fighters, as well as other emergency first responders. For those who do get something, it delivers the most dollars to those who are higher paid and, therefore, less in need and less likely to spend the funds. It fails to get money into the pockets of those who would spend it immediately, providing the greatest economic stimulation. Also, the payments are received in small amounts over many months rather than immediately where it can do the most good.

The far superior approach is to enact the direct \$1,200 payments contained in the *HEROES Act*. The better targeting of this approach is stark, as the following chart illuminates:

HEROES Act vs. FICA Cut
(Yearly Amount)

Income Level or Occupation of Worker	Savings From Four Month Elimination of Social Security Contributions	HEROES Act Payment
Most (2 out of 3) married firefighters, with two children	\$0	\$4,800

Most (2 out of 3) married police officers, with two children	\$0	\$4,800
Many (2 out of 5) married public-school teachers, with two children	\$0	\$4,800
All unemployed married workers, with two children	\$0	\$4,800
Full-time minimum wage worker (\$15,000/ year), married with two children	\$310 (45 cents, for every hour worked)	\$4,800
Two-earner working family, with two children, earning a total of \$75,000/ year	\$1,550	\$4,800
Two-earner working family, with two children, earning a total of \$100,000/ year	\$2,067	\$4,800
Two-earner working family, with two children, earning a total of \$275,000/ year (\$137,500 each)	\$5,683	\$0

The only reason to support cutting Social Security’s dedicated revenue above direct stimulus payments is to undermine Social Security. This is true even if borrowed federal funds are substituted for Social Security’s dedicated revenue. Under the guise of stimulating the economy, “starving” the Social Security “beast” of its dedicated revenue would either undermine Social Security’s financing directly or entangle it with the deficit, both of which would set the stage for future demands to cut Social Security.